OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

IRAQ RECONSTRUCTION FUNDS: FORENSIC AUDITS IDENTIFYING FRAUD, WASTE, AND ABUSE

INTERIM REPORT #1

SIGIR 10-004
OCTOBER 28, 2009

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SIGIR

Special Inspector General for IRAQ Reconstruction

Summary of Report: SIGIR 10-004

Why SIGIR Is Issuing this Report

Public Law 108-106, as amended, requires that the Special Inspector General for Iraq Reconstruction (SIGIR) prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals about $50 billion. To keep Congress apprised, this first in a series of interim reports describes the methodology and results of SIGIR's forensic auditing efforts. This report presents the methodology and results to date of our forensic audit of Department of Defense (DoD) expenditures. The results will be reported cumulatively, and a final report will encompass total reconstruction funds.

Over the past two years, SIGIR has conducted a series of 17 audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, we used the results of these audits to develop targeted forensic auditing approaches to identify potential instances of wrongdoing.

SIGIR recently initiated forensic audits of all Iraq relief and reconstruction expenditures made by the DoD, Department of State, and the U.S. Agency for International Development. These audits are systematic examinations of Iraq reconstruction program expenditures to identify anomalies in transactional data that may indicate fraud, waste, or abuse. SIGIR's approach combines automated data mining with standard audit and investigative techniques to detect questionable transactions and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions.

SIGIR has also initiated a review of Iraq relief and reconstruction program areas known to have weaknesses in internal controls. This proactive effort, identified as the SIGIR Audit/Investigative Initiative, focuses on programs that afford easy access to cash with weak controls over expenditures.

Management Comments

The Multi-National Force-Iraq and the Multi-National Corp-Iraq provided some suggested technical edits in response to the draft report, which we have considered and made changes as appropriate. No other DoD components had comments.

For more information, contact SIGIR Public Affairs at (703) 428-1100 or PublicAffairs@sigir.mil

October 28, 2009

IRAQ RECONSTRUCTION FUNDS: FORENSIC AUDITS IDENTIFYING FRAUD, WASTE, ABUSE – INTERIM REPORT # 1

SIGIR's Methodology and Preliminary Results

Our 17 audits of major reconstruction contracts involving about $6.4 billion in Iraq reconstruction funds identified a number of common or crosscutting internal control weaknesses, including:

- High turnover of contracting officials and inadequate staffing for oversight of contracts
- Inadequate oversight of contractors and subcontractors
- Inadequate review of contractors' invoices
- Missing invoices and other documents
- Excessive numbers of task and change orders
- Inadequate accounting for property or inventory

These types of control weaknesses make programs vulnerable to fraud, waste, and abuse and SIGIR's many audits and investigations show that such unwanted activities have occurred.

SIGIR will forensically examine all financial transactions related to the Iraq Relief and Reconstruction Fund (IRRF), the Iraq Security Forces Fund (ISFF), the Economic Support Fund (ESF), and the Commander's Emergency Response Program (CERP), which total $35.2 billion, as of September 30, 2008. To initiate this effort, SIGIR is in the process of auditing about 22,000 DoD transactions involving approximately $10.7 billion and has identified a number of anomalous transactions, including payments that appear to be duplicates, payments to fictitious or generic vendors, notable variances in payment activity, payments occurring prior to or on the date of invoice, and sequentially-numbered contractor invoices. We also identified payments to firms having what appear to be fictitious addresses and payments to contractors that were possibly suspended or debarred. We are in the process of determining whether any of these transactions are actually fraudulent or improper. To do this, we are conducting a detailed examination of transactions, including reviews of relevant contract files. Examinations of transactions will be prioritized based on risk factors such as the type and amount of the transaction and a prior history of questionable activity.

In addition, SIGIR's proactive review of programs known to have internal control weaknesses has identified a number of instances of questionable activity. Pertinent information is being reviewed by a team of investigators, analysts, and auditors to determine whether further action is warranted.

The results of SIGIR's forensic audit efforts will generally be reported in the aggregate; specific findings will be included where appropriate and useful. We will also provide lessons learned that can be applied to the use of other contingency funding such as in Afghanistan. Detailed information regarding ongoing criminal investigations or activities of a potentially criminal nature will not be presented in these reports.

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

October 28, 2009

MEMORANDUM FOR U.S. SECRETARY OF STATE
U.S. SECRETARY OF DEFENSE
COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

SUBJECT: Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse – Interim Report #1 (SIGIR 10-004)

We are providing this report for your information and use. The report does not contain recommendations for agency action. The report discusses the initial results of the Special Inspector General for Iraq Reconstruction (SIGIR) forensic audits of Defense Department expenditures and other transactions involving Iraq relief and reconstruction. This effort was greatly facilitated by the Department's excellent cooperation. We performed this review in accordance with our statutory responsibilities contained in Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. This law provides for independent and objective audits of programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, and for recommendations on related policies designed to promote economy, efficiency and effectiveness and to prevent and detect waste, fraud, and abuse. These ongoing audits are being conducted as SIGIR projects 9005, 9012, and 9013.

The Multi-National Force-Iraq and the Multi-National Corp-Iraq provided some suggested technical edits in response to the draft report, which we considered and made changes as appropriate. The letters are included in Appendix D. No other DoD components had comments.

We appreciate the courtesies extended to our staff. For additional information on the report, please contact David Warren, Assistant Inspector General for Audits, (703) 604-0982/ david.warren@sigir.mil, or Glenn Furbish, Principal Deputy Assistant Inspector General for Audits, (703) 604-1388/ glenn.furbish@sigir.mil.

Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Ambassador to Iraq
Commander, U.S. Central Command
Commanding General, Multi-National Force-Iraq

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Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse – Interim Report #1

SIGIR 10-004 **October 28, 2009**

Introduction

Public Law 108-106, as amended, requires that the Special Inspector General for Iraq Reconstruction (SIGIR) prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals about $50 billion. This is the first in a series of interim reports on the methodology and results of SIGIR's forensic auditing efforts. This report presents the methodology and results to data of our forensic audit of Department of Defense (DoD) expenditures. Our results will be reported cumulatively, resulting in a final report.[1] Table 1 shows total appropriations by program.

Table 1—Total Appropriations by Fund as of July 2009 ($ in billions)

Iraq Relief and Reconstruction Program	Appropriations
Iraq Relief and Reconstruction Fund (IRRF 1)	$2,475
Iraq Relief and Reconstruction Fund (IRRF 2)	18,389
Iraq Security Forces Fund (ISFF)	18,039
Economic Support Fund (ESF)	4,177
Commander's Emergency Response Program (CERP)	3,630
Other Reconstruction Assistance Programs	3,255
TOTAL	**$49,965**

Note:
The table excludes various federal agency operating and oversight expenses totaling $2.21 billion, which are outside the scope of the forensic audits.

Source: SIGIR analysis of reconstruction funds

Forensic Audits Identify Fraud, Waste, and Abuse Through Systematic Examinations of Data

A forensic audit is a systematic examination of the internal controls over a program's expenditures or other financial data to identify anomalies in individual transactions that may be indicative of fraud, waste, or abuse. SIGIR's approach combines automated data mining with standard audit and investigative techniques to detect problematic transactions and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions. Matters most appropriately addressed by administrative resolution, such as cost disallowance and

[1] Detailed information relating to ongoing or potential criminal investigations will not be presented in these reports. However, summaries of the results will be reported, such as the number of opened investigations, arrests, indictments, and convictions.

recovery, will be referred through audit reports to agency contracting officials for appropriate action. Potential cases of civil or criminal fraud will be referred to SIGIR's Investigations Directorate for further examination.

Reporting Objectives

Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals about $50 billion. To keep Congress apprised, this is the first in a series of interim reports describing the methodology and results of SIGIR's forensic auditing efforts. We will issue updated cumulative reports periodically until all DoD, Department of State, and U.S. Agency for International Development reconstruction expenditures are audited. At that time, we will provide the final congressionally-mandated forensic audit report on all funding for the reconstruction of Iraq.

For a discussion of our audit scope and methodology, see Appendix A. For acronyms used, see Appendix B. For audit team members, see Appendix C. For management comments, see Appendix D. For the SIGIR mission and contact information, see Appendix E.

Audits of Major Contracts Identify Internal Control Weaknesses That Provide Opportunity for Fraud

Over the past two years, SIGIR has conducted audits of 17 major reconstruction contracts to identify internal control weaknesses related to the use of $6.4 billion. These types of control weaknesses make programs vulnerable to fraud, waste, and abuse and SIGIR's many audits and investigations show that such unwanted activities have occurred. Table 2 summarizes the 14 audits with the most common or crosscutting internal control weaknesses.

Table 2—Control Weaknesses Found in Major Reconstruction Contract Audits

Audit Report	Excessive numbers of task and change orders	High contracting official turnover or inadequate staffing	Construction deficiencies not tracked/remedied	Inadequate contractor oversight	Inadequate subcontractor oversight	Inadequate accounting for property or inventory	Inadequate reviews of contractor invoices	Invoices and other documents missing or in disarray	Contract billing weaknesses, risk of erroneous billings
07-009		✓			✓		✓		
07-016		✓		✓			✓	✓	
08-004					✓	✓			✓
08-010		✓							✓
08-011		✓						✓	
08-018				✓					
08-019	✓	✓	✓			✓		✓	
09-003		✓		✓			✓		
09-008		✓							
09-010							✓	✓	
09-014	✓			✓				✓	
09-017			✓						
09-021							✓	✓	
09-026								✓	
TOTAL	**2**	**7**	**2**	**4**	**2**	**2**	**5**	**7**	**2**

Source: SIGIR audit reports.

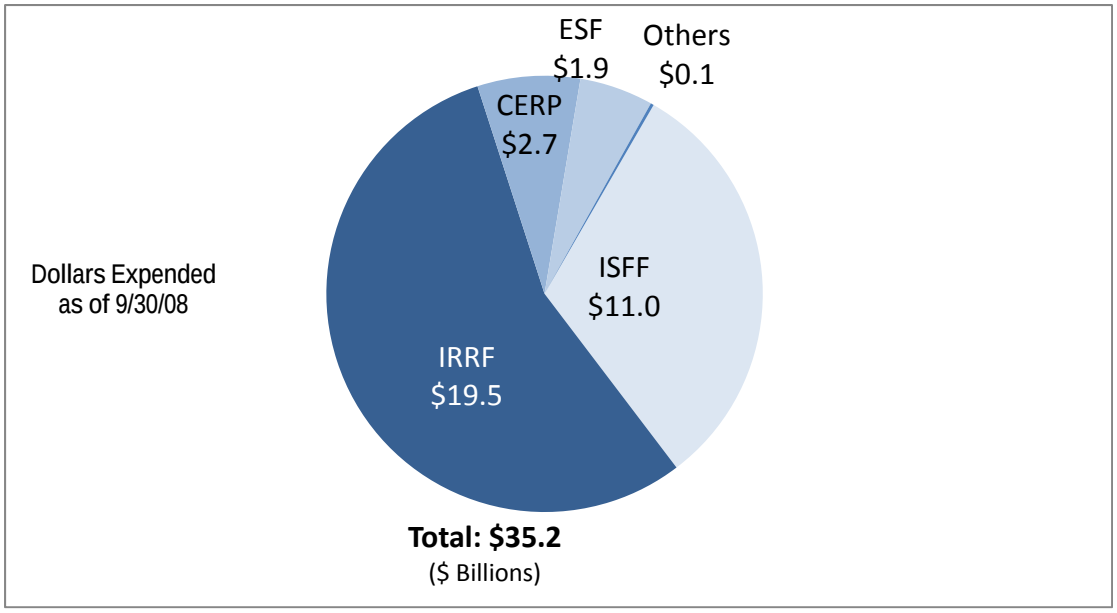
Armed with the information on procurement process control weaknesses, SIGIR developed targeted forensic auditing approaches designed to identify fraud, waste, and abuse. The following sections describe these approaches and the results to date.

Forensic Audits of Agency Expenditures Identify Anomalous and Possibly Fraudulent Transactions

SIGIR has initiated forensic audits of expenditures made by DoD, the Department of State, and the U.S. Agency for International Development. These audits are systematic examinations of Iraq reconstruction program expenditures to identify anomalies in transactional data that may indicate fraud, waste, or abuse. SIGIR's approach combines automated data mining with standard audit and investigative techniques to detect questionable transactions and develop relevant evidence for use in administrative actions or civil and criminal prosecutions. This report presents the methodology and results to date of our forensic audit of Defense Department expenditures. We found anomalies in expenditures from the Iraq Security Forces Fund (ISFF) during fiscal years 2003-2008.[2]

Since initiating our forensic audit of DoD's expenditures in December 2008, SIGIR has reviewed over 22,000 transactions involving approximately $10.7 billion, or about 30% of total DoD expenditures, for Iraq relief and reconstruction for fiscal years 2003-2008. As shown in Figure 1, those expenditures account for almost 100% of the expenditures from the ISFF. The funds shown but not yet included in our forensic review include the Iraq Relief and Reconstruction Fund (IRRF), the Economic Support Fund (ESF), and the Commander's Emergency Response Program (CERP).

Figure 1—DoD Iraq Reconstruction Expenditures Through Fiscal Year 2008 ($ billions)



Source: SIGIR analysis of expenditure data.

[2] The ISFF was established in 2005; therefore, there were no expenditures in 2003 or 2004.

Automated Data Mining to Identify Anomalous Transactions

SIGIR's forensic audit of some 22,000 DoD transactions involving approximately $10.7 billion has identified a number of anomalous transactions. These include payments that appear to be duplicates, payments to fictitious or generic vendors such as "vendor" and "cash," notable variances in payment activity, and payments that occurred before or on the date of the invoice or sequentially numbered contractor invoices.

SIGIR primarily conducts performance audits that assess the economy, efficiency, and effectiveness of reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. These include the series of audits of major reconstruction contracts that identified common internal control weaknesses. Certain controls, such as the segregation of duties, are key to minimizing the risk of fraud, waste, and abuse. We relied on SIGIR's extensive body of work related to inadequate controls in Iraq reconstruction programs to develop expenditure transaction anomalies likely to be observed as a result of the failure or circumvention of these controls. We have incorporated 10 of these anomaly tests into our automated data mining tests. Table 3 lists the anomaly tests and their intended results.

Table 3—Anomaly Tests and Intended Results

Anomaly Test	Intent of Test
Duplicate payments	Identify potential instances where a contractor was paid twice or more for the same invoice/work performed
Questionable vendors	Identify vendor names that are generic (e.g., cash, vendor) and vendor names that do not align with the ISFF program goals
Notable variances in payment activity	Identify payments outside of the "norm" for a vendor
Invoice analysis	Identify payments occurring prior to or on the date of invoice and sequentially-numbered contractor invoices
Payments to debarred/suspended contractors	Identify the use of and payments to debarred/suspended contractors identified in the Excluded Parties List System (EPLS)
Segregation of duties	Identify breakdowns in segregation of duties whereby the same government contracting official originates the request for payment, approves the request, and is the payee.
Fictitious addresses/high risk locations	Identify payments to potential fictitious addresses and/or high risk locations or known high-risk banking centers such as Cyprus and Beirut
Payee validation	Identify payments to government employees that are in the EPLS debarred/suspended list
Fictitious contractors	Identify payments to contractors with no associated DUNS[3]/CAGE[4] number
Application of Benford's Law[5]	Identify nonrandom transaction amounts to identify instances a contractor submitted false invoices using false invoice totals

Source: SIGIR analysis

[3] The Data Universal Numbering System or D-U-N-S® Number is Dunn and Bradstreet's (D&B) copyrighted, proprietary means of identifying business entities on a location-specific basis. Assigned and maintained solely by D&B, this unique nine-digit identification number has been assigned to over 100 million businesses worldwide. The D-U-N-S® Number is widely used by both commercial and federal entities and was adopted as the standard business identifier for federal electronic commerce in October 1994. The D-U-N-S Number® was also incorporated into the Federal Acquisition Regulation in April 1998 as the Federal Government's contractor identification code for all procurement-related activities.

[4] A CAGE (Commercial and Government Entity) Code is a five- (5) character code that identifies companies doing or wishing to do business with the Federal Government.

[5] Benford's law states that the leading digit in lists of numbers from many real-life sources of data is distributed in a non-uniform way. Accordingly, the first digit is 1 almost one third of the time, and subsequent digits occur as the first digit in descending frequency, where 9 is the leading digit less than one time in twenty.

We have identified a number of anomalous transactions and are conducting a detailed examination of each transaction, including reviews of relevant contract files.

Detailed Examinations of Contract Files to Validate Fraud

In examining the results of these anomalies, SIGIR is working to validate the transactions as fraudulent or improper. To accomplish this, teams of SIGIR personnel are performing additional electronic testing; conducting detailed examinations of relevant contract documentation such as solicitation actions, award selection materials, invoices, and payment files; interviewing contracting officials as well as vendor management and other staff; and coordinating with other audit and law enforcement agencies. These validation efforts are designed to support determinations regarding the legitimacy of particular transactions and evidentiary assessments as to whether improper expenditures are likely attributable to administrative error or fraud. We will prioritize transactions for review by, for example, highest to lowest risk of fraud and greatest to lowest dollar value. To date, we have incorporated results into three current investigations and three ongoing audits.

Case Management Tool

SIGIR has developed a unique and powerful case management tool to store, protect, and analyze the large volume of information gathered over the course of this project. The automated tool presents the data gathered from multiple agencies and financial management systems in a central location, permits us to identify and sort out unusual transactions, detects suspicious activity across agencies and appropriations, and tracks audit/investigative activity on individual cases and vendors. The case management tool also protects the integrity of the data for investigative and prosecution purposes.

SIGIR Proactive Effort Identifies Questionable Activity

SIGIR has also initiated a review of Iraq relief and reconstruction program areas known to have weaknesses in internal controls. This proactive effort, identified as the SIGIR Audit/Investigative Initiative, focuses on programs that afford easy access to cash with weak controls over expenditures. The SIGIR Forensics Team is managing several proactive projects and has identified a number of instances of questionable activity. Pertinent information is reviewed by a team of investigators, analysts, and auditors to determine whether further action is warranted.

The SIGIR Audit/Investigative Initiative

Over the years, SIGIR has reported that systemic management problems, corruption, and the general lack of security in Iraq have made reconstruction programs vulnerable to fraud, waste, and abuse. A particular area of concern, from a fraud vulnerability perspective, involves the cash payment process. The following excerpt is from a March 2007 SIGIR report entitled *Lessons in Program and Project Management*:

> *"One program manager...was tasked with the management of a $50 million program with 136 projects, ranging from $18,000 to $4 million. To assist him, he had one Iraqi engineer. Together, they faced several challenges. First, they operated exclusively with cash. The local military commander assigned an Army captain to act as the pay agent for the reconstruction program. When cash was needed, he would fly to Baghdad, fill a duffle bag with cash, and bring it back. Because of the inconsistent cash controls earlier in the effort, this team decided it was necessary to keep as much cash on hand as possible so they could pay vendors and contractors reliably. At one point, the team had $23 million in cash in storage."*

According to the DoD Office of the Inspector General (OIG), the potential for fraud, waste, and abuse in Iraq exists due to a limited review of the completeness, accuracy, and propriety of payment documentation. One DoD OIG report indicated that the Defense Department failed to maintain a complete audit trail of nearly $135 million in Commander's Emergency Response Program (CERP) payments. As a result, DoD was unable to provide reasonable assurance that the money was used appropriately. SIGIR, the Army Audit Agency, the Government Accountability Office, and the DoD OIG have identified accountability-related issues involving CERP in Iraq. These concerns are warranted. In March 2009, an Army captain was indicted on charges of theft of government property and money laundering involving nearly $700,000 in CERP funds.

Considering the climate of vulnerability in Iraq and concerns raised regarding a lack of accountability over programs such as CERP, the SIGIR Forensics Team established the SIGIR Audit/Investigative Initiative to conduct a proactive review of contracting award decisions and payment actions associated with the Iraq relief and reconstruction effort. The SIGIR Forensics

Team is also reviewing activities associated with the Development Fund for Iraq (DFI). At one time the DFI was managed by the Coalition Provisional Authority (CPA). SIGIR has reported that the CPA provided less than adequate controls for approximately $8 billion in DFI funds. The SIGIR Forensics Team has obtained information on CPA-related activities and is analyzing this information to detect questionable activity.

Forensic Audit Results to Date

As previously discussed, we are developing relevant evidence for use in administrative actions or civil or criminal fraud prosecutions. This effort is in its early stages. Below are our results to date:

- Six criminal investigations opened involving 15 subjects
- Provided additional information on three current investigations
- Number of arrests to be determined (TBD)[6]
- Number of indictments (TBD)
- Number of convictions (TBD)
- Funds recovered in fines, forfeitures, and restitution from convictions (TBD)
- Funds recovered in civil suits (TBD)
- Questionable transactions incorporated into three ongoing audits
- Questioned costs referred to contracting officers for audit (TBD)

[6] TBD – To be determined and reported as results are achieved.

Management Comments and Audit Response

The Multi-National Force-Iraq and the Multi-National Corp-Iraq provided some suggested technical edits in response to the draft report, which we have considered and made changes as appropriate. Their complete responses are presented in Appendix D. No other DoD components had comments.

Appendix A—Scope and Methodology

In December 2008 the Special Inspector General for Iraq Reconstruction (SIGIR) initiated its forensic effort as Projects 9005, 9012, and 9013 to examine Iraq relief and reconstruction expenditures by the Department of Defense (DoD), Department of State, and the U.S. Agency for International Development. SIGIR's objective for this report was to describe the methodology and present results to date of SIGIR's forensic auditing efforts. This is the first in a series of reports and presents the results of our ongoing forensic audit of Defense Department expenditures for Iraq relief and reconstruction for fiscal years 2003-2008. The results of the reports will generally be discussed in the aggregate, with specific findings included where appropriate and useful. Cumulative questioned costs will be reported as defined and required by the Inspector General Act of 1978, as amended. This audit was performed under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. The audit work for this report covers the period December 2008 through August 2009 in Arlington, Virginia.

To obtain the expenditure data from the DoD, we interviewed officials from the Army Budget Office, the Defense Finance and Accounting Service, and the U.S. Army Corps of Engineers and obtained pertinent appropriation and transactional data, as well as supporting documentation, to include data dictionaries, look-up tables, contract details, and vendor data.

To develop our list of anomalies, we used information from discussions with SIGIR auditors and investigators; key agency stakeholders and systems owners; live financial system demonstrations; SIGIR and other agency audit reports; and industry established tests for fraudulent activities.

We conducted this review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. However, this is an information report, which has no findings or conclusions.

Use of Computer-processed Data

To achieve the assignment's objectives, we extensively relied on computer-processed data from the Defense Finance and Accounting Service and the U.S. Army Corps of Engineers accounting systems. We performed reconciliations of Iraq Security Forces Fund (ISFF) disbursement data received from DoD accounting systems to determine that it was complete and reliable. The reconciliation process included a comparison of the detailed disbursement totals to other sources of information, including summary-level data from the Operational Data Storage system. This reconciliation process yielded a variance of tolerable amounts. Therefore, we found the data to be adequate and sufficiently reliable to be used in meeting our forensic audit objectives.

Internal Controls

As discussed in the body of the report, SIGIR has conducted 17 audits of major reconstruction contracts that were intended in part to identify internal control weaknesses. We reported on those weaknesses in each report, which also contained relevant conclusions and

recommendations. Because such weaknesses provide opportunities for fraud, waste, and abuse, we used the results of those audits to develop targeted forensic auditing approaches to identify instances of wrongdoing. However, this is an information report, and as such, we draw no conclusions and make no recommendations.

Prior Coverage

Department of Defense, Office of the Inspector General

Internal Controls Over Payments Made in Iraq, Kuwait and Egypt – (Report No. D-2008-098), May 22, 2009.

Government Accountability Office

Defense Contracting Integrity: Opportunities Exist to Improve DOD's Oversight of Contractor Ethics Programs, GAO-09-591, 9/22/2009.

Improper Payments: Significant Improvements Needed in DoD's Efforts to Address Improper Payment and Recovery Auditing Requirements, GAO-09-442, 7/29/2009.

Excluded Parties List System: Suspended and Debarred Businesses and Individuals Improperly Receive Federal Funds, GAO-09-174, 2/25/2009.

SIGIR

Tikrit Location Command Project Achieving Contract Goals by Using Sound Management Practices, SIGIR 09-024, 7/30/2009.

Developing a Depot Maintenance Capability at Taji Hampered by Numerous Problems, SIGIR 09-027, 7/30/2009.

Commander's Emergency Response Program: Hotel Construction Completed, But Project Management Issues Remain, SIGIR 09-026, 7/26/2009.

Commander's Emergency Response Program: Muhalla 312 Electrical Distribution Project Largely Successful, SIGIR 09-025, 7/26/2009.

Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq, AUD/IQO-09-16 and SIGIR 09-021, June 2009.

Security Forces Logistics Contract Experienced Certain Cost, Outcome, and Oversight Problems SIGIR 09-014, 4/26/2009.

Need To Enhance Oversight of Theater-Wide Internal Security Services Contracts, SIGIR 09-017, 4/24/2009.

Oversight of Aegis's Performance on Security Services Contracts in Iraq with the Department of Defense, SIGIR 09-010, 1/14/2009.

Cost, Outcome, and Oversight of Iraq Oil Reconstruction Contract with Kellogg Brown & Root Services, Inc., SIGIR 09-008, 1/13/2009.

Review of Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute, SIGIR 09-003, 10/21/2008.

Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc., SIGIR 08-019, 7/28/2008.

Review of Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC, SIGIR 08-018, 7/15/2008.

Review of Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation, SIGIR 08-011, 4/29/2008.

Report on Review of Outcome, Cost, and Oversight of Iraq Reconstruction Contract W914NS-04-D-0006, SIGIR 08-010, 1/28/2008.

Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center, SIGIR 08-004, 1/15/2008.

Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program, SIGIR 07-016, 10/23/2007.

Review of Bechtel's Spending under Its Phase II Iraq Reconstruction Contract, SIGIR 07-009, 7/25/2007.

Iraq Reconstruction: Lessons in Program and Project Management, March 2007.

Coalition Provisional Authority Comptroller Cash Management Controls Over the Development Fund for Iraq, SIGIR-04-009, 7/28/2004.

Appendix B—Acronyms

Acronym	Description
CERP	Commander's Emergency Response Program
CPA	Coalition Provisional Authority
DFI	Development Fund for Iraq
DoD	Department of Defense
EPLS	Excluded Parties List System
ESF	Economic Support Fund
ISFF	Iraq Security Forces Fund
IRRF	Iraq Relief and Reconstruction Fund
OIG	Office of Inspector General
SIGIR	Special Inspector General for Iraq Reconstruction
TBD	To Be Determined

Appendix C—Audit Team Members

This report was prepared and the forensic audit conducted under the direction of David R. Warren, Assistant Inspector General for Audit, Special Inspector General for Iraq Reconstruction.

The staff members who conducted the forensic audit and contributed to the report include:

Richard C. Newbold

Adam T. Hatton

Thomas J. Bonnar

William F. Bedwell

Robin L. Rowan

Patricia H. Morel

Donald V. McNamara

Mark D. Lehner

Appendix D—Management Comments

SIGIR Draft Report

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse Interim Report #1

MNF-I COMMENTS TO THE REPORT

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GENERAL COMMENTS ON THE REPORT

1. MNF-I would like to address the following general comments to the report.

a. Page 3: Recommend change the following statement: "These types of control weaknesses provided ample opportunity for fraud waste and abuse, and SIGIR's initial work indicates that such activities may have occurred."

If SIGIR has actually identified fraud, waste, or abuse; these facts should be provided. If not, recommend modifying the sentence to read: "These types of control weaknesses provide ample opportunity for fraud, waste, or abuse."

b. Page 8, paragraph 2: Recommend change "SIGIR has reported that systemic management problems, corruption, and the general lack of security in Iraq have made reconstruction programs vulnerable to fraud, waste, and abuse" to

"SIGIR has reported systemic that management problems and corruption have made reconstruction programs vulnerable to fraud, waste, and abuse." The fact is, reconstruction projects have the required security and security incident rates are at an all-time low.

c. Page 8, paragraph 3: The quotation beginning with "One program manager …" has no associated date shown with it. It is important to understand the context of the situation, as security conditions have significantly changed in Iraq due to improved oversight. The statement should indicate when this quote was made.

d. Page 9, last topic heading. The section is entitled "Forensic Audit Results to Date", yet six of the nine bullets contain no numeric data, results, or the results are "To Be Determined (TBD)."

2. Other general comments, provided by MNC-I, are included on the separate enclosure.

3. Of note, is that the findings of this report are based on projects that were reported to the MNF-I Inspector General as "No External Report Projects."

APPROVED BY:

DAVID S. THOMPSON
COL, U.S. Army
Command Inspector General

PREPARED BY:

MATTHEW W. LaCHAPELLE
LT, U.S. Navy
MNF-I IG, 318-485-5622

SIGIR DRAFT REPORT
SIGIR 10-004

IRAQ RECONSTRUCTION FUNDS:
FORENSIC AUDITS IDENTIFYING
FRAUD, WASTE, AND ABUSE
INTERIM REPORT #1

MNC-I COMMENTS
TO THE REPORT

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GENERAL COMMENTS ON THE REPORT

There were no recommendations to this interim report but MNC-I would like to make the below comments pertaining to this interim report.

1. (U) Page 3. We would recommend that the SIGIR report numbers references in table 2 be listed in more detail in an appendix to include report title, date of report and source of project funds at a minimum.

2. (U) Page 3. Recommend that table 2 include the program/fund type for each of the audit reports to show the spectrum of the different reconstruction programs.

3. (U) The MNC-I Chief of Staff has approved this RFI response.

APPROVED BY:

DAVID J. NELSON
COL, U.S. Army
Command Inspector General

PREPARED BY:

BRYAN L. NOVAK
SGM, U.S. Army
MNC-I IG, 318-485-5495

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Appendix E—SIGIR Mission and Contact Information

SIGIR's Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
Obtaining Copies of SIGIR Reports and Testimonies	To obtain copies of SIGIR documents at no cost, go to SIGIR's Web site (www.sigir.mil).
To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs	Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline: • Web: www.sigir.mil/submit_fraud.html • Phone: 703-602-4063 • Toll Free: 866-301-2003
Congressional Affairs	Hillel Weinberg Assistant Inspector General for Congressional Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1059 Email: hillel.weinberg@sigir.mil
Public Affairs	Danny Kopp Office of Public Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1217 Fax: 703-428-0818 Email: PublicAffairs@sigir.mil